

CHAPTER 5: SET OFF & CARRY FORWARD OF LOSSES

SET-OFF OF LOSSES

INTRA HEAD ADJUSTMENT [SECTION 70]

Set off of loss from **one source of income** against **another source** under the **same head** of income is known as **Intra Head Adjustment**. It is also known as **Inter Source Adjustment**.

INTER HEAD ADJUSTMENT [SECTION 71]

Set off of loss from one head of income **against** another head of income is known as **Inter Head Adjustment**.

Set Off Rules

Heads of Income	Intra Head Adjustment	Inter Head Adjustment
Loss under head House Property	Set off with any other income of house property.	<ol style="list-style-type: none"> Loss of Maximum Rs. 2,00,000 is allowed to be adjusted and remaining loss shall be CF No Inter Head Adjustment is available under new regime with respect to loss under head House Property.

Loss under head PGBP		
• Specified Business Loss	Can only be adjusted against specified business income	Not Applicable.
• Speculative Business Loss	Can only be adjusted against speculative business income	Not Applicable.
• Non-Speculative Business Loss	Can be adjusted against any other business income without any monetary restrictions	Can be adjusted against any other head except Income under head salary and Casual Income.
Loss under head Capital Gain		
• Short term capital loss	Can be adjusted against any LTCG u/s 112 & LTCG u/s 112A or STCG u/s 111A or other STCG	Not Applicable
• Long term capital loss	Can be adjusted only against LTCG u/s 112 & LTCG u/s 112A	Not Applicable
Loss under head other sources		
• Loss of Owning & Maintaining Racehorses	Can be adjusted only against Income from OMRH	Not Applicable
• Any other loss under head other sources	Can be adjusted against any other income from other sources except from Casual Income	Can be adjusted against any other head except from Casual Income



Notes:

1. If there is income available then loss has to be **adjusted against** such income, i.e. Set-off is **mandatory, not optional**
2. Only Intra-Head Adjustment is **allowed** once loss is **carried forward** to next assessment year.
3. **No loss is allowed** to be set off **against** Casual Income, unexplained income, unexplained investment, cash credit etc.

Order of Set-Off under head PGBP

Current year Business income before Depreciation	-
Less: Depreciation of Current Year	(-)
Less: B/F Business loss	(-)
Less: Unabsorbed Depreciation / Scientific Research Expenditure / Family Planning Promotion Expenditure	(-)
Income/Loss under head PGBP	-

Carry Forward of Losses

Losses	Carry Forward
1. Loss under head house property	C/F for Maximum 8 AY
2. Specified Business Loss	C/F Without any limit
3. Speculative Business Loss	C/F for Maximum 4 AY
4. Non-Speculative Business Loss	C/F for Maximum 8 AY
5. Long Term / Short Term Capital Loss	C/F for Maximum 8 AY
6. Loss from OMRH	C/F for Maximum 4 AY
7. Unabsorbed Depreciation / Scientific Research Expenditure / Family Planning Promotion Expenditure,	C/F Without any limit

